

BRANCH AREA TRANSIT AUTHORITY

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

YEAR ENDED SEPTEMBER 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>BRANCH AREA TRANSIT AUTHORITY</b>		County <b>BRANCH</b>
Audit Date <b>Sep. 30, 2004</b>	Opinion Date <b>Nov. 9, 2004</b>	Date Accountant Report Submitted to State: <b>Dec 15, 2004</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

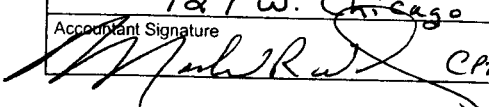
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

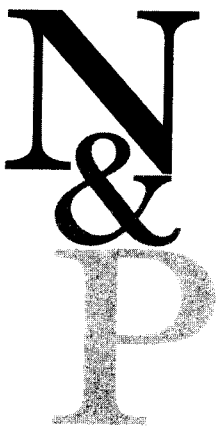
We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) <b>NORMAN &amp; PAULSEN P.C.</b>			
Street Address <b>127 W. Chicago Road</b>		City <b>Sturgis</b>	State <b>MI</b>
Accountant Signature  <b>CRA</b>		ZIP <b>49091</b>	
		Date <b>12/14/04</b>	

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INDEPENDENT AUDITOR'S REPORT  
ON FINANCIAL STATEMENTS

To the Board of Directors  
Branch Area Transit Authority  
Branch County, Michigan

**Norman & Paulsen, P.C.**

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We have audited the accompanying basic financial statements of Branch Area Transit Authority (the Authority) as of and for the year ended September 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Branch Area Transit Authority as of September 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

Board of Directors  
Branch Area Transit Authority

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Branch Area Transit Authority basic financial statements. The accompanying other supplemental information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Branch Area Transit Authority. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2004, on our consideration of Branch Area Transit Authority internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Norman J. Paulson, P.C.*

November 9, 2004

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BRANCH AREA TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2004

This section of the Authority's Financial Report presents management's overview and analysis of the Authority's financial performance for the fiscal year ended September 30, 2004. This section should be read in conjunction with the financial statements which follow this section.

**Financial Highlights**

- \* The assets of the Authority exceeded it's liabilities at September 30, 2004, by \$2,411,152. Of this amount, \$1,654,367 represents net assets which are not invested in capital assets.
- \* The Authority's total net assets increased by \$191,878.
- \* The Authority remained free of long-term debt during the period.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about it's activities. The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods.

**Financial Analysis**

For the year ended September 30, 2004, assets exceeded liabilities by \$2,411,152. Transit is a capital-intensive enterprise, and approximately 31% of the net assets are invested in capital assets. The following is a summary of the Authority's net assets.

BRANCH AREA TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2004

**Summary of Net Assets**

	<u>2004</u>	<u>2003</u>
Assets:		
Current Assets	\$ 1,740,508	\$ 1,593,898
Capital Assets (Net)	<u>756,785</u>	<u>663,413</u>
Total Assets	<u>\$ 2,497,293</u>	<u>\$ 2,257,311</u>
Liabilities:		
Current liabilities	\$ 86,141	\$ 38,037
Net Assets:		
Invested in Capital Assets	756,785	663,413
Unrestricted	<u>1,654,367</u>	<u>1,555,861</u>
Total liabilities and Net Assets	<u>\$ 2,497,293</u>	<u>\$ 2,257,311</u>

The Authority's net assets increased by \$191,878 in 2004. The following is a summary Statement of Revenues, Expenses, and Changes in Net Assets which show how the increase in net assets occurred. Also shown is the change for the year ended September 30, 2003.

**Summary Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>2004</u>	<u>2003</u>
Operating Revenue	\$ 177,722	\$ 183,648
Operating Expenses	<u>1,188,631</u>	<u>1,120,143</u>
Operating Loss	(1,010,909)	(936,495)
Taxes	347,185	331,714
Other Non-Operating Revenue	<u>618,351</u>	<u>615,120</u>
Total Non-Operating Revenue	<u>965,536</u>	<u>946,834</u>
Net Income (Loss)	(45,373)	10,339
Capital Grants	<u>237,251</u>	<u>38,623</u>
Change in Net Assets	<u>\$ 191,878</u>	<u>\$ 48,962</u>

BRANCH AREA TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2004

The following table shows 2004 revenue compared to 2003:

REVENUES	2004	2003	Increase/ (Decrease)
Operating			
Special transit fares	\$ 108,518	\$ 113,790	\$ (5,272)
Demand-response (farebox)	41,062	42,546	(1,484)
Demand-response (tickets)	23,140	21,977	1,163
Advertising	5,002	5,335	(333)
Non-Operating			
State Assistance	456,036	453,564	2,472
Federal Assistance	126,180	121,727	4,453
Property taxes	347,185	331,714	15,471
Interest income	36,987	32,801	4,186
Other	(852)	7,028	(7,880)
CAPITAL CONTRIBUTIONS			
Federal	\$ 189,801	\$ 31,628	\$ 158,173
State	47,450	6,995	40,455

The federal reimbursement rate remained at 10.95% for eligible expenses. For federal reimbursement computation net eligible expenses increased by \$97,683. The State reimbursement rate, however, dropped from 43.800078503% to 42.236619648%. For state reimbursement computation net eligible expenses increased by \$97,683.

The Authority's expenses may be reviewed in two formats:

Operating Expense by Department - The department describes the major function areas of the Authority and includes:

- Operations - Responsible for all on-street services, including operators, dispatchers, and schedulers.
- Maintenance - Responsible for providing vehicles (including fuel, parts, and cleaning) and facilities (upkeep, utilities, and rent).
- Administration - All other functions including executive direction, planning, marketing, information systems, purchasing and finance.
- Depreciation - Estimated pro-ration of the cost of capital assets over the useful life of the asset.



BRANCH AREA TRANSIT AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2004

The following table shows the expenses for 2004 compared to 2003 by department:

DEPARTMENT	2004	2003	Increase/ (Decrease)
Operations	\$ 757,280	\$ 715,274	\$ 42,006
Maintenance	119,437	109,748	9,689
Administration	174,643	155,810	18,833
Depreciation	137,271	139,311	(2,040)
Total expenses	<u>\$ 1,188,631</u>	<u>\$ 1,120,143</u>	<u>\$ 68,488</u>

Operations costs increased because wages were up by \$15,314; fuel costs were up by \$4,765 and general insurance costs were up by \$15,629.

Maintenance costs increased because wages and fringe benefits increased by \$9,838.

Administration costs increased because wages and fringe benefit costs were up by \$18,788.

Operating Expense by Object - The object is the classification of expenses by type of item. The following table shows expenses for 2004 compared to 2003 by object:

OBJECT	2004	2003	Increase/ (Decrease)
Wages and benefits	\$ 855,893	\$ 809,100	\$ 46,793
Services	20,067	19,872	195
Supplies and materials	98,308	92,771	5,537
Utilities	21,624	20,661	963
Casualty and liability	45,658	30,174	15,484
Miscellaneous	9,810	8,254	1,556
Depreciation	137,271	139,311	(2,040)
Total	<u>\$ 1,188,631</u>	<u>\$ 1,120,143</u>	<u>\$ 68,488</u>

Wages and benefits increased as a result of higher wage and benefit rates.

Supplies and materials increased as a result of higher fuel costs.

Casualty and liability costs increased because of higher insurance premiums.

BRANCH AREA TRANSIT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2004

**Capital Assets**

The Authority's investment in capital assets as of September 30, 2004, amounted to \$756,785 net of accumulated depreciation. Capital assets consist of land, buildings, buses, other vehicles, bus and garage equipment and office equipment. Major capital asset acquisitions during 2004 included the following:

Building addition - \$ 183,113

Bus - \$ 48,489

Garage equipment - \$ 4,000

Office equipment - \$ 1,649

The above capital asset acquisitions were funded by federal and state capital grants.

**Economic Factors and Future Outlook**

At the time these financial statements were prepared and audited, the Authority was aware of the following items that could significantly affect it's financial health in the future:

With the current economic condition in the country, and especially in the State of Michigan, uncertainly surrounds the level at which federal and state operating assistance and capital grants will be funded.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Branch Area Transit Authority, P.O. Box 979, 306 South Clay Street, Coldwater, MI 49036.

BASIC FINANCIAL STATEMENTS

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004

ASSETS

ASSETS

Current Assets

Cash and equivalents	\$ 1,470,432
Receivables:	
Accounts	14,049
Federal government	144,160
State government	83,992
Inventory	8,065
Prepaid expenses	19,810
Capital assets, net	<u>756,785</u>
Total assets	2,497,293

LIABILITIES, ALL CURRENT

Accounts payable	50,956
Accrued salaries and wages	22,374
Due to other governmental units	
Federal government	805
State government	<u>12,006</u>
Total current liabilities	86,141

NET ASSETS

Investment in capital assets, net of related debt	756,785
Unrestricted	<u>1,654,367</u>
Total net assets	<u>\$ 2,411,152</u>

See accompanying notes to financial statements

# BRANCH AREA TRANSIT AUTHORITY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2004

OPERATING REVENUES	
Special transit fares	\$ 108,518
Demand-response (farebox)	41,062
Demand-response (tickets)	23,140
Advertising	<u>5,002</u>
Total operating revenue	177,722
OPERATING EXPENSES	
Operations	844,316
Maintenance	121,831
General administration	<u>222,484</u>
Total operating expenses	<u>1,188,631</u>
Operating loss	(1,010,909)
NON-OPERATING REVENUE	
State grants	456,036
Federal grants	126,180
Local funding	346,214
Interest income	36,987
Donations	<u>119</u>
Total non-operating revenue	<u>965,536</u>
Net loss before contributions	(45,373)
CAPITAL CONTRIBUTIONS	<u>237,251</u>
Change in net assets	191,878
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>2,219,274</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 2,411,152</u>

See accompanying notes to financial statements

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 181,313
Payments to suppliers	(146,773)
Payments to employees	<u>(851,665)</u>
Net cash used in operating activities	(817,125)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal and state grants	560,589
Local funding	<u>346,333</u>
Net cash provided by non-capital financing activities	906,922
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	36,987
CASH FLOWS FROM CAPITAL ACTIVITIES	
Purchase of capital assets	(237,251)
Receipts from capital grants	73,725
Loss on disposal of assets	<u>6,607</u>
Net cash used in capital activities	<u>(156,919)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,135)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,500,567</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,470,432</u>

See accompanying notes to financial statements

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

Reconciliation of operating income (loss) to  
net cash provided by (used in) operating activities

Operating loss \$ (1,010,909)

Adjustments to reconcile operating loss to  
net cash used in operating activities:

Depreciation 137,271

Changes in assets and liabilities

Accounts receivable 3,590

Inventory 268

Prepaid items 4,550

Accounts payable 43,877

Accrued payroll 4,228

Net cash used in operating activities \$ (817,125)

See accompanying notes to financial statements

BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 1 - REPORTING ENTITY

Branch Area Transit Authority is a nonprofit corporation organized pursuant to the Public Transportation Authority Act 196 of the State of Michigan. Its member municipalities include the Cities of Coldwater and Bronson, the Villages of Quincy, Sherwood, and Union City, and the County of Branch.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Branch Area Transit Authority conform to generally accepted accounting principles as applicable to nonprofit entities. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Branch Area Transit Authority. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Fixed Assets and Depreciation - Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of fixed assets are computed on the straight line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives.

Inventory - Inventory consists of consumable materials and supplies and is valued at the lower of cost or market.

Cash Equivalents - All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 3 - CASH AND EQUIVALENTS

The Authority uses financial institutions for cash and deposit purposes, which is in accordance with statutory authority. The accounts maintained are checking, savings, and certificates of deposit. The carrying value is \$1,470,432 and the bank balance is \$1,500,720.

The risk exposure of the cash and equivalents may be summarized as follows:

Insured	\$ 578,573
Uninsured	<u>922,147</u>
Total cash and equivalents	<u>\$1,500,720</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Depreciation included in the determination of net earnings for the year ended September 30, 2004, amounted to \$137,271. As discussed in note 2, depreciation is computed by the straight line method. The principal categories of property and equipment may be summarized as follows:

	Purchased with Capital Grants	Purchased with Authority Funds	Total
Land	\$ 35,000	\$ -	\$ 35,000
Operating facility	927,281	21,264	948,545
Vehicles	668,938	5,817	674,755
Maintenance equipment	35,570	12,189	47,759
Office equipment	<u>51,430</u>	<u>12,535</u>	<u>63,965</u>
Total	1,718,219	51,805	1,770,024
Less: Accumulated depreciation	<u>977,261</u>	<u>35,978</u>	<u>1,013,239</u>
Undepreciated cost	<u>\$ 740,958</u>	<u>\$ 15,827</u>	<u>\$ 756,785</u>

When state funded assets are withdrawn from public transportation service, the disposition of the assets is to be determined by the Michigan Department of Transportation.

BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 5 - DUE FROM FEDERAL GOVERNMENT

Branch Area Transit Authority receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants. The computation of the amount due from the federal government is as follows:

For the Year Ended September 30, 2004

Net eligible expenses	\$ 950,133	
Funding rate	10.95%	
Section 5311 revenue	<u>104,040</u>	
Funding received		<u>93,000</u>
Due from federal government		11,040

For the Year Ended September 30, 2003

Net eligible expenses	\$ 852,450	
Funding rate	10.95%	
Section 5311 revenue	<u>93,343</u>	
Funding received	<u>91,507</u>	
Due from federal government		1,836

Branch Area Transit Authority receives funding from the U.S. Department of Transportation under the Rural Transit Assistance Program (RTAP). For the year ended September 30, 2004, costs incurred compared to funding received is as follows:

Eligible costs	\$ 2,600	
Funding received	<u>2,600</u>	
Due from federal government		-

Branch Area Transit Authority receives funding from the U.S. Department of Transportation for capital projects. For the year ended September 30, 2004, costs incurred compared to funding received is as follows:

Eligible costs	\$ 189,801	
Funding received	<u>58,517</u>	
Due from federal government		<u>131,284</u>
Total due from federal government		<u>\$ 144,160</u>

BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 6 - DUE TO FEDERAL GOVERNMENT

Branch Area Transit Authority receives funding from the U.S. Department of Transportation under Section 5311 Operating Grants. The computation of the amount due to the federal government is as follows:

For the Year Ended September 30, 2001

Net eligible expenses	\$ 702,105
Funding rate	10.95%
Section 5311 revenue	<u>76,880</u>
Funding received	<u>77,320</u>

Due to federal government	440
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For the Year Ended September 30, 2002

Net eligible expenses	\$ 757,390
Funding rate	10.95%
Section 5311 revenue	<u>82,934</u>
Funding received	<u>83,299</u>

Due to federal government	<u>365</u>
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Total due to federal government	<u>\$ 805</u>
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NOTE 7 - DUE FROM STATE GOVERNMENT

Branch Area Transit Authority receives funding from the State of Michigan for Specialized Services. The computation of the amount due from the State of Michigan under specialized services contract as of September 30, 2004, is as follows:

Eligible costs	\$ 23,577
Funding received	<u>19,151</u>

Due from state government	4,426
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Branch Area Transit Authority receives funding from the State of Michigan for the Project Zero Program. The computation of the amount due from the State of Michigan under the Project Zero Agreement is as follows:

BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 7 - DUE FROM STATE GOVERNMENT - (Continued)

For the Year Ended September 30, 2004

Eligible costs	\$1,050,679
Funding rate	<u>3.1911%</u>
	33,528
Add Project Zero overtime	<u>1,785</u>
Funding earned	35,313
State percent	75%
Funding earned	26,485
Maximum funding per contract	26,349
Funding received	<u>21,223</u>

Due from state government 5,126

For the Year Ended September 30, 2003

Eligible costs	979,172
Funding rate	<u>5.7622%</u>
	56,422
Add project zero overtime	<u>2,462</u>
Funding earned	58,884
State percent	75%
Funding earned	44,163
Funding received	<u>42,048</u>

Due from state government 2,115

Branch Area Transit Authority receives funding from the State of Michigan for the State of Michigan Operating Assistance Program. The computation of the amount due from the State of Michigan under Operating Assistance Agreement is as follows:

For the Year Ended September 30, 2004

Eligible costs	\$ 953,802
Funding rate	<u>42.236619648%</u>
Funding earned	402,854
Funding received	<u>370,542</u>

Due from state government 32,312

BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 7 - DUE FROM STATE GOVERNMENT - (Continued)

For the Year Ended September 30, 2003

Eligible costs	\$ 856,120
Funding rate	<u>43.800078503%</u>
Funding earned	374,981

Funding received	<u>367,789</u>
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Due from state government	7,192
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Branch Area Transit Authority receives funding from the State of Michigan for capital projects. For the year ended September 30, 2004, costs incurred compared to funding received is as follows:

Eligible costs	\$ 47,450
Funding received	<u>14,629</u>

Due from state government	<u>32,821</u>
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Total due from state government	<u><u>\$ 83,992</u></u>
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NOTE 8 - DUE TO STATE GOVERNMENT

Branch Area Transit Authority receives funding from the State of Michigan for the State of Michigan Operating Assistance Program. The computation of the amount due to the State of Michigan under the Operating Assistance Agreement as of September 30, 2001, is as follows:

For the Year Ended September 30, 2001

Eligible costs	\$ 705,455
Funding rate	<u>45.386751206%</u>
Funding earned	320,183

Funding received	<u>320,573</u>
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Due to state government	390
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BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 8 - DUE TO STATE GOVERNMENT - Continued

Branch Area Transit Authority receives funding from the State of Michigan for Specialized Services. The computation of the amount due to the State of Michigan under the Specialized Services contract for the year ended September 30, 2002 is as follows:

Eligible costs	\$	25,547	
Funding received		<u>29,345</u>	
Due to state government			3,798

Branch Area Transit Authority receives funding from the State of Michigan for the Project Zero Program. The computation of the amount due to the State of Michigan under the Project Zero Agreement for the year ended September 30, 2002 is as follows:

Eligible costs	\$	899,413	
Funding rate		<u>8.2496%</u>	
		74,198	
Add Project Zero overtime		<u>4,028</u>	
Funding earned		78,226	
Funding received		<u>86,044</u>	
Due to state government			<u>7,818</u>
Total due to state government			<u>\$ 12,006</u>

NOTE 9 - PROPERTY TAX REVENUE

Property taxes are levied each December 1, by the governmental entities within Branch County. The governmental units bill and collect property taxes, then remit them to the Authority. Property tax revenues are recognized when levied to the extent they are deemed to be collectable. The governmental units collect taxes until March 1, at which time real property taxes are turned over to the county for reimbursement from their revolving tax fund. The governmental units continue to collect delinquent personal property taxes.

The taxable value of all real and personal property on which Authority tax levies were based for the year ended September 30, 2004, was \$1,020,502,344 and the millage rate was .3391 mills. Property tax revenue is recorded under local funding.

BRANCH AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued  
YEAR ENDED SEPTEMBER 30, 2004

NOTE 10- CAPITAL CONTRIBUTIONS

The following represents the capital contributions earned by Branch Area Transit Authority under federal and state funding:

<u>Contract</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
02-0021/Z4	\$ 272	\$ 68	\$ 340
02-0021,Z5	146,490	36,622	183,112
02-0021/Z9	38,792	9,698	48,490
02-0021/Z10	<u>4,247</u>	<u>1,062</u>	<u>5,309</u>
Total	<u>\$ 189,801</u>	<u>\$ 47,450</u>	<u>\$ 237,251</u>

NOTE 11- RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Authority carries commercial insurance to cover these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this coverage in any of the past four fiscal years.

NOTE 12- CONTINGENCIES

Amounts received or receivable under grant programs are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL INFORMATION



BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF OPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Normal Services</u>	<u>Specialized Services</u>
Special transit fares	\$ 105,131	\$ 3,387
Demand - response (farebox)	36,886	4,176
Demand - response (tickets)	23,140	-
Advertising	<u>5,002</u>	<u>-</u>
Total operating revenues	<u>\$ 170,159</u>	<u>\$ 7,563</u>

Project Zero	Total
\$ -	\$ 108,518
-	41,062
-	23,140
-	5,002
<u>\$ -</u>	<u>\$ 177,722</u>

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF NONOPERATING REVENUES  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Normal Services</u>	<u>Specialized Services</u>
State of Michigan Operating Grants		
Local bus operating assistance	\$ 398,571	\$ -
Specialized services - operating assistance	-	23,578
Project zero - operating assistance	-	-
Michigan works - operating assistance	-	-
	<hr/>	<hr/>
Total State of Michigan operating grants	398,571	23,578
Federal Operating Grants		
U.S. DOT operating grant - section 5311, RTAP	2,600	-
U.S. DOT operating grant - section 5311, contract 2002-0021/Z13/R3	104,040	-
U.S. Department of Health and Human Services, Title III	<u>18,139</u>	<u>1,401</u>
Total Federal operating grants	124,779	1,401
Local funding	346,214	-
Interest income	36,987	-
Donations	<u>118</u>	<u>1</u>
Total nonoperating revenues	<u>\$ 906,669</u>	<u>\$ 24,980</u>

<u>Project Zero</u>	<u>Total</u>
\$ -	\$ 398,571
-	23,578
26,349	26,349
<u>7,538</u>	<u>7,538</u>
33,887	456,036
-	2,600
-	104,040
<u>-</u>	<u>19,540</u>
-	126,180
-	346,214
-	36,987
<u>-</u>	<u>119</u>
<u>\$ 33,887</u>	<u>\$ 965,536</u>

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF OPERATING EXPENSES  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Normal Services</u>	<u>Specialized Services</u>
Labor		
Operator's salaries and wages	\$ 282,377	\$ 16,411
Other salaries and wages	150,692	8,757
Dispatcher's salaries and wages	86,339	5,018
Fringe benefits	265,443	15,427
Services		
Advertising/promotion media	8,086	470
Other services	10,315	600
Materials and supplies consumed		
Fuel and lubricants	61,085	3,550
Tires and tubes	3,987	232
Other materials and supplies	17,387	6,395
Utilities		
Other	15,632	909
Telephone	4,197	244
Casualty and liability costs		
Premiums for public liability and property damage insurance	37,595	2,185
Other insurance	4,273	248
Taxes		
Taxes/licenses	646	38
Miscellaneous expenses		
Travel, meetings, and training	3,032	176
Other miscellaneous expenses	2,726	159
Leases and rentals	2,591	151
Depreciation	<u>133,566</u>	<u>2,379</u>
Total operating expenses	<u>\$ 1,089,969</u>	<u>\$ 63,349</u>

	<u>Project Zero</u>	<u>Total</u>
\$	9,148	\$ 307,936
	4,883	164,332
	2,797	94,154
	8,601	289,471
	262	8,818
	334	11,249
	1,979	66,614
	129	4,348
	3,564	27,346
	506	17,047
	136	4,577
	1,218	40,998
	139	4,660
	21	705
	98	3,306
	88	2,973
	84	2,826
	<u>1,326</u>	<u>137,271</u>
\$	<u>35,313</u>	<u>\$ 1,188,631</u>

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF OPERATING EXPENSES BY CATEGORY  
YEAR ENDED SEPTEMBER 30, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total</u>
Labor				
Operator's salaries and wages	\$ 307,936	\$ -	\$ -	\$ 307,936
Other salaries and wages	-	66,719	97,613	164,332
Dispatcher's salaries and wages	94,154	-	-	94,154
Fringe benefits	199,928	40,296	49,247	289,471
Services				
Advertising/promotion media	-	-	8,818	8,818
Other services	-	6,165	5,084	11,249
Materials and supplies consumed				
Fuel and lubricants	66,415	-	199	66,614
Tires and tubes	4,348	-	-	4,348
Other materials and supplies	16,502	5,842	5,002	27,346
Utilities	21,499	-	125	21,624
Casualty and liability costs				
Premiums for public liability and property damage insurance	40,998	-	-	40,998
Other insurance	-	-	4,660	4,660
Taxes				
Taxes/licenses	705	-	-	705
Miscellaneous expenses				
Travel, meetings and training	307	120	2,879	3,306
Other miscellaneous expenses	1,923	147	903	2,973
Leases and rentals	2,565	148	113	2,826
Depreciation	<u>87,036</u>	<u>2,394</u>	<u>47,841</u>	<u>137,271</u>
Total operating expenses	<u>\$ 844,316</u>	<u>\$ 121,831</u>	<u>\$ 222,484</u>	<u>\$1,188,631</u>

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS  
YEAR ENDED SEPTEMBER 30, 2004

	<u>RTAP</u>	<u>Project Zero</u>	<u>Specialized Services</u>
Labor	\$ -	\$ 16,828	\$ 30,186
Fringe benefits	-	8,601	15,427
Services	-	596	1,070
Materials and supplies	-	5,672	10,177
Utilities	-	642	1,153
Casualty and liability costs	-	1,357	2,433
Taxes	-	21	38
Miscellaneous	2,600	186	335
Leases and rentals	-	84	151
Depreciation	-	1,326	2,379
	<hr/>	<hr/>	<hr/>
Total	2,600	35,313	63,349
Less: Ineligible expenses	<hr/> 2,600	<hr/> -	<hr/> -
Total eligible expenses	<u>\$ -</u>	<u>\$ 35,313</u>	<u>\$ 63,349</u>



<u>Normal Services</u>	<u>Total</u>
\$ 519,408	\$ 566,422
265,443	289,471
18,401	20,067
82,459	98,308
19,829	21,624
41,868	45,658
646	705
3,158	6,279
2,591	2,826
<u>133,566</u>	<u>137,271</u>
1,087,369	1,188,631
<u>133,566</u>	<u>136,166</u>
<u>\$ 953,803</u>	<u>\$ 1,052,465</u>

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF NET ELIGIBLE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2004

	Federal Section 5311 Revenue	State Operating Assistance
OPERATING EXPENSES		
Labor	\$ 519,408	\$ 519,408
Fringe benefits	265,443	265,443
Services	18,401	18,401
Materials and supplies	82,459	82,459
Utilities	19,829	19,829
Casualty and liability costs	41,868	41,868
Taxes	646	646
Miscellaneous	5,758	5,758
Leases and rentals	2,591	2,591
Depreciation	133,566	133,566
Total operating expenses	1,089,969	1,089,969
LESS INELIGIBLE EXPENSES		
CPA audit	3,670	-
RTAP grant	2,600	2,600
Depreciation	133,566	133,566
Total ineligible expenses	139,836	136,166
Net eligible expenses	\$ 950,133	\$ 953,803
Federal Section 5311 revenue (10.95%)	\$ 104,040	
State Operating Assistance		
A. Reimbursement (42.236619648%x \$953,803)		\$ 402,854
B. Statutory cap (60% x \$953,803)		\$ 572,282
C. Must receive as a minimum 1997 floor		\$ 300,106

BRANCH AREA TRANSIT AUTHORITY

STATEMENT OF MILEAGE AND PASSENGER DATA  
YEAR ENDED SEPTEMBER 30, 2004  
(UNAUDITED)

	Public Transportation Mileage	Public Transportation Passengers
<b>NORMAL SERVICES</b>		
<u>Demand-Response</u>		
First quarter	70,854	21,806
Second quarter	74,371	23,216
Third quarter	74,532	23,200
Fourth quarter	71,411	21,840
Total normal services	<u>291,168</u>	<u>90,062</u>
<b>SPECIALIZED SERVICES</b>		
<u>Demand-Response</u>		
First quarter	4,820	1,687
Second quarter	3,845	1,434
Third quarter	4,281	1,371
Fourth quarter	3,457	1,301
Total specialized services	<u>16,403</u>	<u>5,793</u>
<b>PROJECT ZERO</b>		
<u>Demand-Response</u>		
First quarter	1,039	25
Second quarter	3,638	68
Third quarter	3,219	81
Fourth quarter	2,326	52
Total project zero	<u>10,222</u>	<u>226</u>
<b>TOTAL OPERATION</b>		
<u>Demand-Response</u>		
First quarter	76,713	23,518
Second quarter	81,854	24,718
Third quarter	82,032	24,652
Fourth quarter	77,194	23,193
Total operation	<u>317,793</u>	<u>96,081</u>

NOTE - The methodology used for compiling mileage and passenger data has been reviewed and found to be an adequate and reliable method for recording vehicle mileage and passenger data.

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Branch Area Transit Authority

We have audited the basic financial statements of Branch Area Transit Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated November 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

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Jerrel T. Norman (1941-1982)

November 9, 2004

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